

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1281 - SB 1414

March 7, 2019

SUMMARY OF BILL: Establishes a procedure by which the Utility Management Review Board (UMRB) and Tennessee Public Utility Commission (TPUC) may authorize the sale of all or part of a utility district's assets to a private utility.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The extent and timing of any increase in local revenue distributed from proceeds of a sale cannot reasonably be determined.

Assumptions:

- If a utility district's governing board determines, by a majority vote, that the sale of all or part of the district's assets was in the best interest of the customers of the utility district, the utility district and UMRB may proceed to negotiate the terms of the sale to the private utility.
- The terms of any contract for sale must include:
 - A provision that the acquiring entity shall pay for all costs of the acquisition.
 - A provision specifying how the proceeds of the sale shall be distributed to the county or municipality where the assets of the utility district are located.
- Utility districts are currently authorized to sell real and personal property as the utility deems appropriate, including to public utilities, pursuant to Tenn. Code Ann. § 7-82-306 and § 7-82-309; therefore, any utility district voluntarily selling part or all of its assets will negotiate the terms of sale as provided by the proposed legislation.
- The UMRB and TPUC are required to approve or disapprove of the contract of sale within 90 days of the contract having been submitted. Any review of contract of sale will be accomplished utilizing existing resources; therefore, any fiscal impact to state government is estimated to be not significant.
- Upon execution of a contract, all or part of the assets of a utility district purchased by a public utility will be subject to regulation by TPUC, including payment for inspection fees and obtaining a certificate of convenience and necessity (CCN), at a fee of \$25 per CCN.
- TPUC is a self-funded agency; therefore, any fees or revenues collected do not revert to the General Fund.
- Pursuant to Tenn. Code Ann. § 7-82-301 and § 7-82-403, a utility district is a self-funded entity considered as a "municipality". In the event there is revenue made from

the sale of assets, the proposed language requires such revenues to be distributed to the county or municipality where the sold assets are located. The extent and timing of any local government revenue cannot reasonably be determined.

IMPACT TO COMMERCE:

Other Fiscal Impact – A precise impact to commerce and jobs within Tennessee cannot reasonably be determined due to multiple unknown factors.

Assumption:

- Due to multiple unknown variables such as, the number of utility districts which will elect to sell assets to public utilities, the extent of any terms negotiated for such purchase, the extent of any inspection fees which must be paid to TPUC, the extent of any revenues realized by such public utilities from the sale of utility service to customers, and if any public utility will continue to employ current employees of the purchased utility district or hire new employees, a precise impact to commerce and jobs in Tennessee cannot reasonably be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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